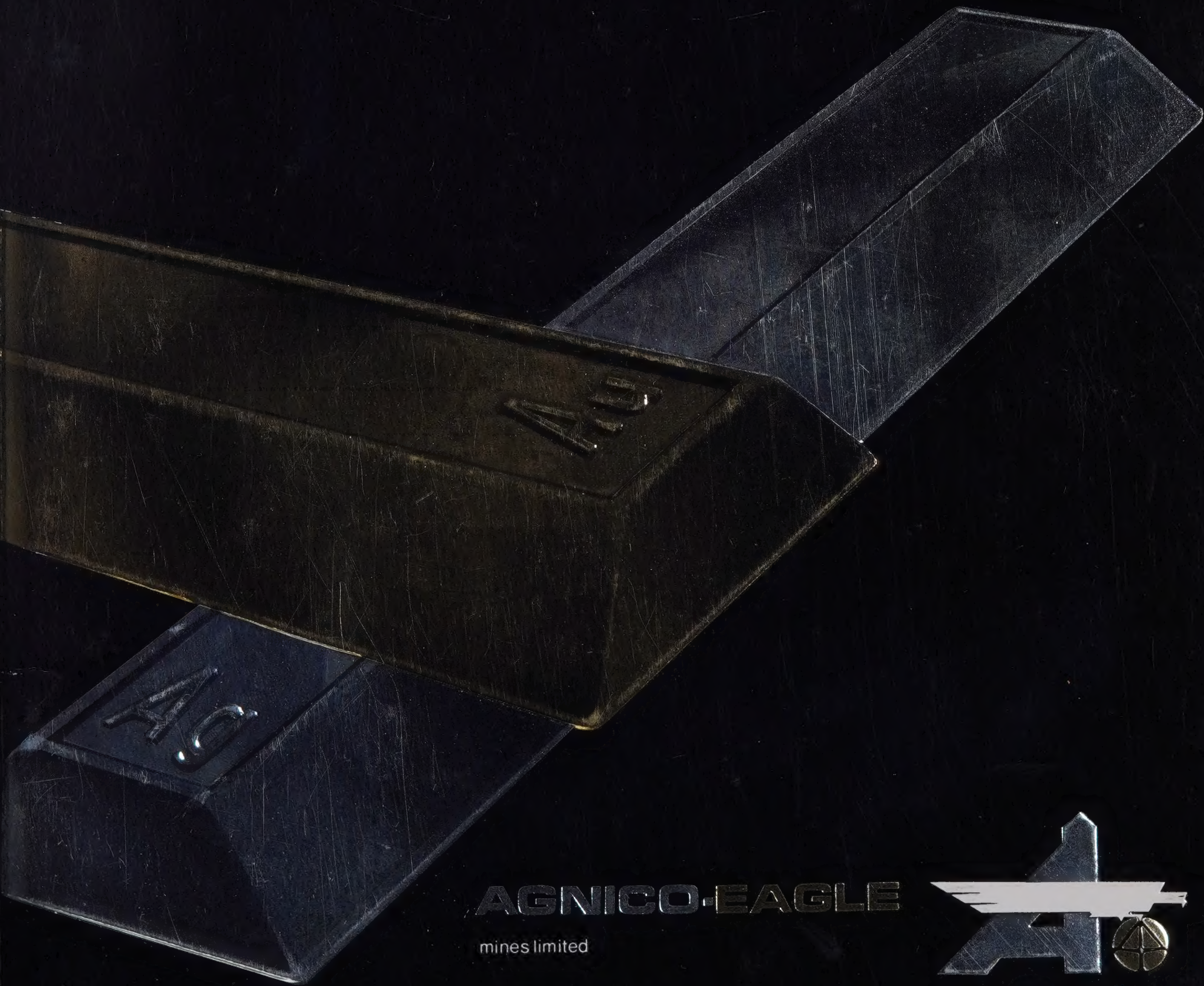
annual report 1973



AGNICO-EAGLE
mines limited

AGNICO-EAGLE
mines limited

ANNUAL REPORT TO SHAREHOLDERS

For the Year Ended December 31, 1973

CONTENTS

THE FRONT COVER

The traditional gold and silver bars (Au — Gold, Ag — Silver) reflect the amalgamation in 1972 of Agnico Mines Limited and Eagle Gold Mines Limited. This theme is continued in the new corporate graphic symbol with the outlined 'A' signifying the shaft headframe which was long a component of Agnico's corporate symbol, which is superimposed by the stylized eagle. The sphere at the feet of the eagle is the symbolic form for gold and it encases the Tree of Life — the immortality of the mineral extractive industry.

ALONGSIDE: *Aerial view of surface plant at Joutel Township Gold Mine of Agnico-Eagle Mines Limited. This picture was taken during final stage of construction.*

OFFICERS

PAUL PENNA, President and Managing Director
MIKEY DRUTZ, Secretary-Treasurer

DIRECTORS

ARCHIE BASEN, Executive, American Louver of Canada Limited
EDWARD L. BAXTER, Professional Photographer
ALLEN BINSTOCK, Real Estate Agent, Ernest Goodman Limited
IRVING DOBBS, Insurance Executive
MILTON KLYMAN, Broker-Dealer, M. Greene & Associates Limited
PAUL PENNA, Executive, Jakmin Investments Limited

MINE STAFF — SILVER DIVISION

Mine Manager, Gordon W. Kirk, P.Eng.
Chief Geologist and Chief Engineer, Brian Thorniley, B.Sc., M.Sc., P.Eng.
Mine Superintendent, Armand R. Cote, P.Eng.
Mill Superintendent, Gordon W. Wilson, P.Eng.
Chief Accountant, Herbert O. Johnson

AGNICO-EAGLE
mines limited

MINE STAFF — GOLD DIVISION

Mine Manager, Donald J. LaRonde, B.Sc., P.Eng.
Chief Geologist and Chief Engineer, Anton Adamcik, B.Sc.
Mine Captain, Ronald Daigle
Mill Superintendent, Wayne Weir
Master Mechanic, Amy Dupas
Chief Electrician, Lionel Roberge
Construction Superintendent, George Gervais
Office Manager, Gerry Rodrigue

CONSULTING GEOLOGIST

W. A. Hubacheck, B.Sc., P.Eng.

EXECUTIVE AND HEAD OFFICE

Suite 300, 365 Bay Street,
Toronto, Ontario, Canada M5H 2V1

MINE OFFICE (Silver Division)

P.O. Box 140, Cobalt, Ontario P0J 1C0

MINE OFFICE (Gold Division)

P.O. Box 310, Joutel, Quebec J0Y 1N0

AUDITORS

Starkman, Kraft, Rothman, Berger & Grill,
Chartered Accountants, Willowdale, Ontario

SOLICITORS

Shibley, Righton & McCutcheon,
Toronto, Ontario

BANKERS

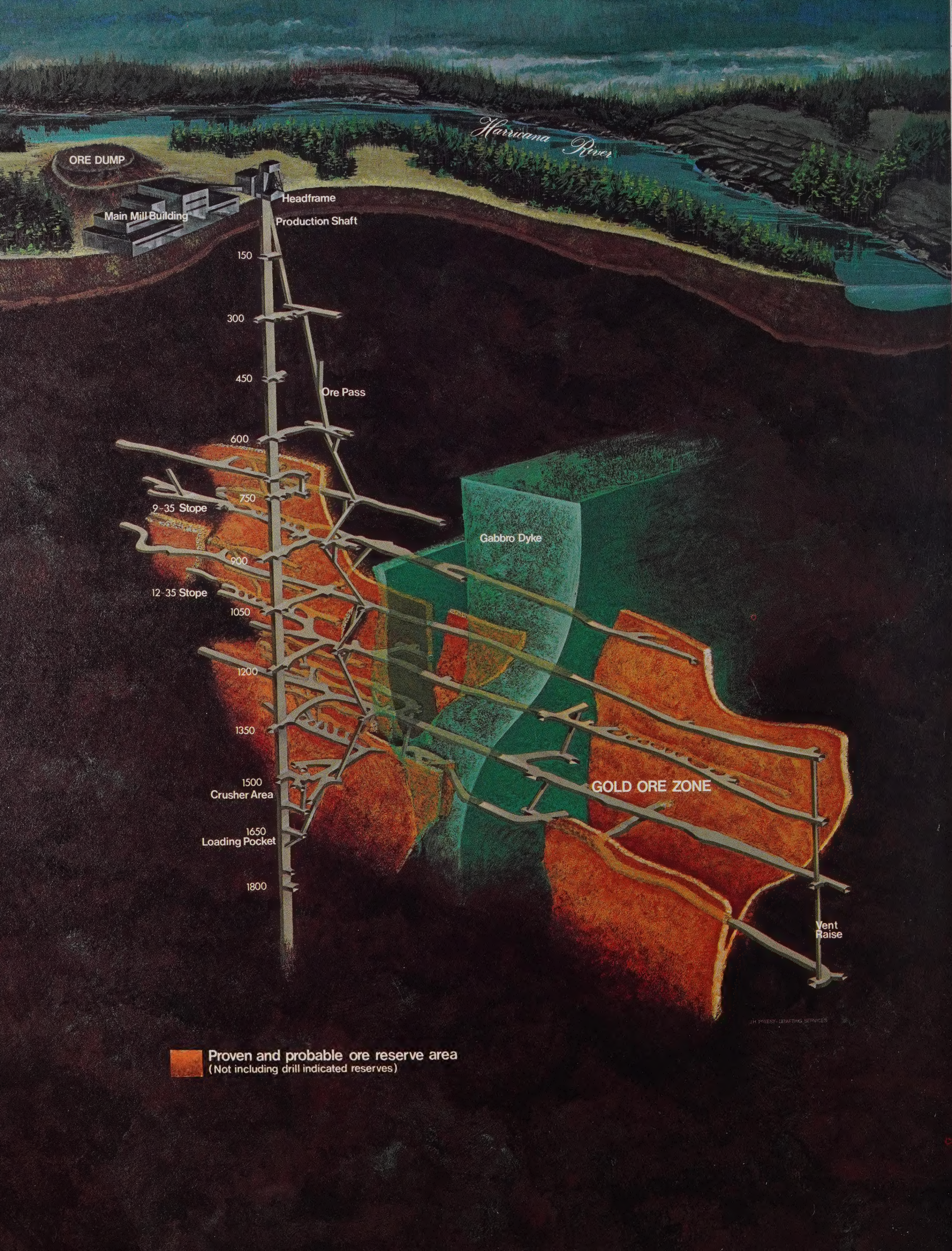
The Toronto-Dominion Bank,
Toronto, Ontario

REGISTRAR AND TRANSFER AGENT

Guaranty Trust Company of Canada
88 University Avenue, Toronto, Ontario
427 St. James Street West, Montreal, Quebec

SHARE LISTINGS

The Toronto Stock Exchange, Toronto, Canada
Montreal Stock Exchange, Montreal, Canada
Ticker Symbol "AGE"
O.T.C. in United States of America
NASDAQ Symbol "AEAGF"



Harricana River
ORE DUMP
Main Mill Building
Headframe
Production Shaft
150
300
450
Ore Pass
600
750
9-35 Stope
900
12-35 Stope
1050
1200
1350
1500
Crusher Area
1650
Loading Pocket
1800
Gabbro Dyke
GOLD ORE ZONE
Vent
Raise
Proven and probable ore reserve area
(Not including drill indicated reserves)

AGNICO-EAGLE
mines limited

SUITE 300, 365 BAY STREET
TORONTO, CANADA M5H 2V1

PRESIDENT'S REPORT TO THE SHAREHOLDERS

The year 1973 was a major milestone in the corporate history of your Company, highlighted by the commencement of operations at the large scale gold mining division near Joutel, Quebec, and the record value of production at the silver mining division in Cobalt, Ontario.

Gold Division

The start-up of mining and milling at our new gold mine is the successful culmination of an undertaking that was initially launched some eight years ago. It is fortuitously timed to a strong and sustained upsurge in world gold prices which now appear firmly stabilized at a probable 'floor' price above $150 per ounce and predictably pointing to much higher levels, probably above $200 per ounce before the end of 1974.

The magnitude of the gold mining project, both in terms of the time span and the $15 million capital expenditure to bring it to production, is completely overshadowed by the impressive size of production revenue to be realized in the years ahead.

Start-up date of the gold mining division was moderately behind original schedule owing to delays in obtaining delivery of certain minor but important pieces of equipment. Operation of the crushing-grinding circuit commenced early in December. Initially, the circuit was 'run in' and filled using waste rock and lower grade development material reclaimed from the surface stockpile.

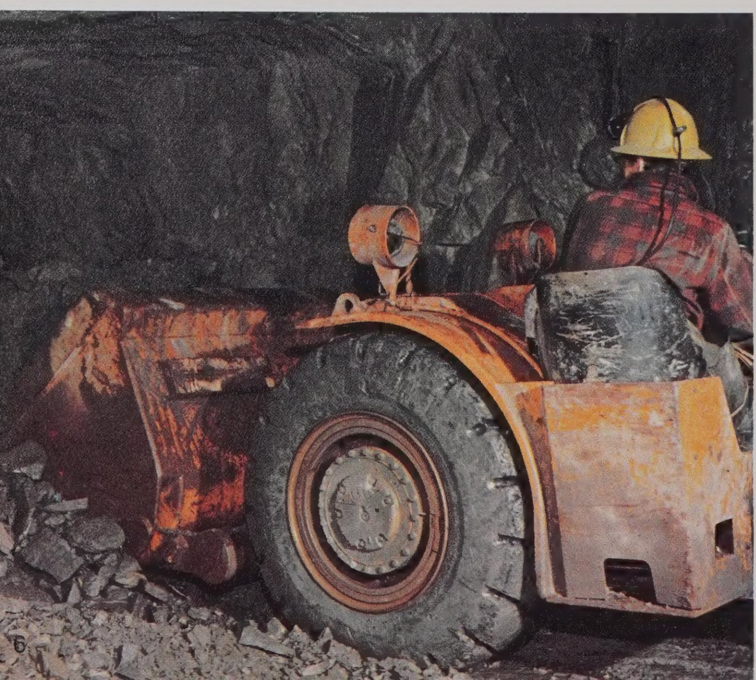
The underground primary crusher was operational by year end and mill feed was augmented with some of the higher grade ore from underground stoping. The traditional first gold pouring was made on February 20, 1974.

Projected ore treatment rates during the first half of 1974 will be below the 1,000 ton per day capacity while necessary modifications and improvements are made in the milling plant in order to minimize bullion losses during this customary 'tune-up' period. Such alterations and refinements to the mill circuit are not uncommon during the early operating stages of any new treatment plant and particularly in the case of the comparatively complex circuit designed to efficiently process the disseminated gold bearing sulphide ore of the Eagle Mine.

Metallurgical recoveries, presently attaining extraction rates up to 75% or better, are expected to improve progressively during the third and fourth quarterly periods of 1974. For obvious reasons, there is no intention of utilizing the full capacity of the milling plant until metallurgical recoveries are sustained at satisfactory levels. Currently, milling rates are being restricted to approximately 50% to 60% of capacity and planned to increase to about 80% to 85% during May and June of this year.

Artist's sketch showing underground workings at the Eagle Mine. This drawing identifies the location of two current stoping areas, the underground crusher area, ore pass system, etc. Ore from stopes is initially crushed underground and then hauled via the shaft to the surface mill for final grinding and recovery of gold.

These scenes show Scooptrams mucking ore from the stope areas, the ore is then hauled to the ore pass system and dropped to the underground primary crusher.



During April a 10-cell flotation circuit was installed in the grinding bay area and this addition to the treatment plant is expected to improve recoveries.

Present estimates indicate that under optimum operating conditions and stabilization of mill feed from underground stopes, forecast metallurgical recoveries will be achieved with a resultant gold output rate during the second half of 1974 approximating 100,000 ounces annually.

Importantly, underground work has proven most satisfactory. Three open, sub-level stopes employing long hole blasting techniques and one shrinkage stope are in production or ready for production and easily capable of providing full capacity requirements.

As noted in the appended Mine Manager's Report (Gold Division), diamond drilling and development work completed during 1973 enabled the reclassification of a total of 137,225 tons of possible ore of an undiluted average grade of 0.360 ounce of gold per ton to proven and probable ore categories.

Total proven and probable ore reserves at December 31, 1973 amounted to 764,979 tons averaging an undiluted grade of 0.353 ounce of gold per ton, or 879,725 tons grading 0.311 ounce per ton including a 15% dilution allowance.

Possible or drill-indicated reserves totalled 1,947,774 tons averaging an undiluted grade of 0.320 ounce per ton, or 2,239,940 tons grading 0.281 ounce per ton including a 15% dilution allowance.

The total of all reserve categories including the surface stockpile was 3,171,629 tons averaging 0.290 ounce of gold per ton including a 15% dilution allowance. This total reserve is contained within the gold zone as presently defined between the 300 and 1800 foot levels, the latter being the maximum depth adequately tested by drilling to date.

With reserve tonnages of all categories adequate for some ten years of operation at the present mill design rate there has been no urgency to delineate additional ore. However, it is noted that the present tonnage outline is substantially unchanged from that indicated in work completed at year end 1969. Underground work at that time showed development headings on the 1050, 1200 and 1350 levels had been advanced to within 50 feet of the boundary of the adjoining property held by Telbel Mines Limited.

This adjoining 34 claim property came under the control of your Company early in 1971 when it acquired the majority interest in Telbel from Mining Corporation of Canada (1964) Limited, the latter a wholly owned subsidiary of Noranda Mines Limited. Telbel Mines Limited is a subsidiary of Agnico-Eagle Mines Limited which now owns approximately 90% of the issued and outstanding shares.

The foregoing acquisition of the adjoining group directly contiguous to the 'Main' property is significant to the long term plans of the Company for in addition to the possibilities for extending the present known ore zone to depth below the 1800-foot level within the 'Main' property, there is the added potential for extension along strike to the southeast, as projected from the existing workings.

The fact that the orebody is a sulphide type rather than a quartz vein type, suggests the chances for extension to much greater depth below the presently tested horizon at 1,800 feet are definitely attractive. It is known from experience that sulphide type deposits are much more uniform in grade and not as erratic as the vein type deposits.

The Mines de Poirier property — which is about 3.5 miles southeast of the Eagle Mine and with similar geology — is developed to a depth of 2,850 feet.

Geologically, the Eagle Mine deposit is somewhat unique. In contrast to most sulphide deposits mainly comprising copper-lead-zinc with minor amounts of gold and silver (such as in the case of Mines de Poirier), the Eagle Mine sulphides consist mainly of gold bearing pyrite with practically no base metals.

The appended drawing (Figure 1) showing a longitudinal section of the underground workings and the related main blocks of the various ore categories contained within the gold mineralized zone outline as presently defined and the assumed projections both laterally and to depth, illustrates the importance of the ownership of the adjacent property held by your Company's subsidiary, Telbel Mines Limited.

The appended Property Plan (Figure 2) shows the Company's two contiguous properties with the presently defined approximate 2,000 foot length of the orebody, shaft site and the area of the longitudinal section plotted thereon. Note the position in relation to the common property boundary and in terms of the main gold bearing structure striking across the combined ground for an approximate strike length of nearly three miles.

As illustrated in the additional longitudinal section drawing (Figure 3), underground work indicates that the east end of the orebody enters the adjacent Telbel claim group at about the 1300 foot level. Assuming the orebody continues to depth at its present rake, the orebody would enter the Telbel ground at approximately 3,700 feet below surface.

In summary, the foregoing factors are clearly significant in the long term economic considerations of the Eagle Mine, providing indications of the extensive scope for future exploration and development beyond the presently defined outlines of the main orebody.

Silver Division

As previously stated, the value of silver production in 1973 at $3,416,440 was the highest on record in the 21-year period since the incorporation in 1953 of the predecessor company, Agnico Mines Limited. Total silver recovery at 1,130,966 ounces was also the greatest in any single year since 1958.

The contributing factors to this unprecedented year of operations were the high productivity from the main unit, the Trout Lake Mine in South Lorrain Township, Ontario, and the excellent prices received for silver during the year which averaged $3.02 per ounce for the 1973 mill output.

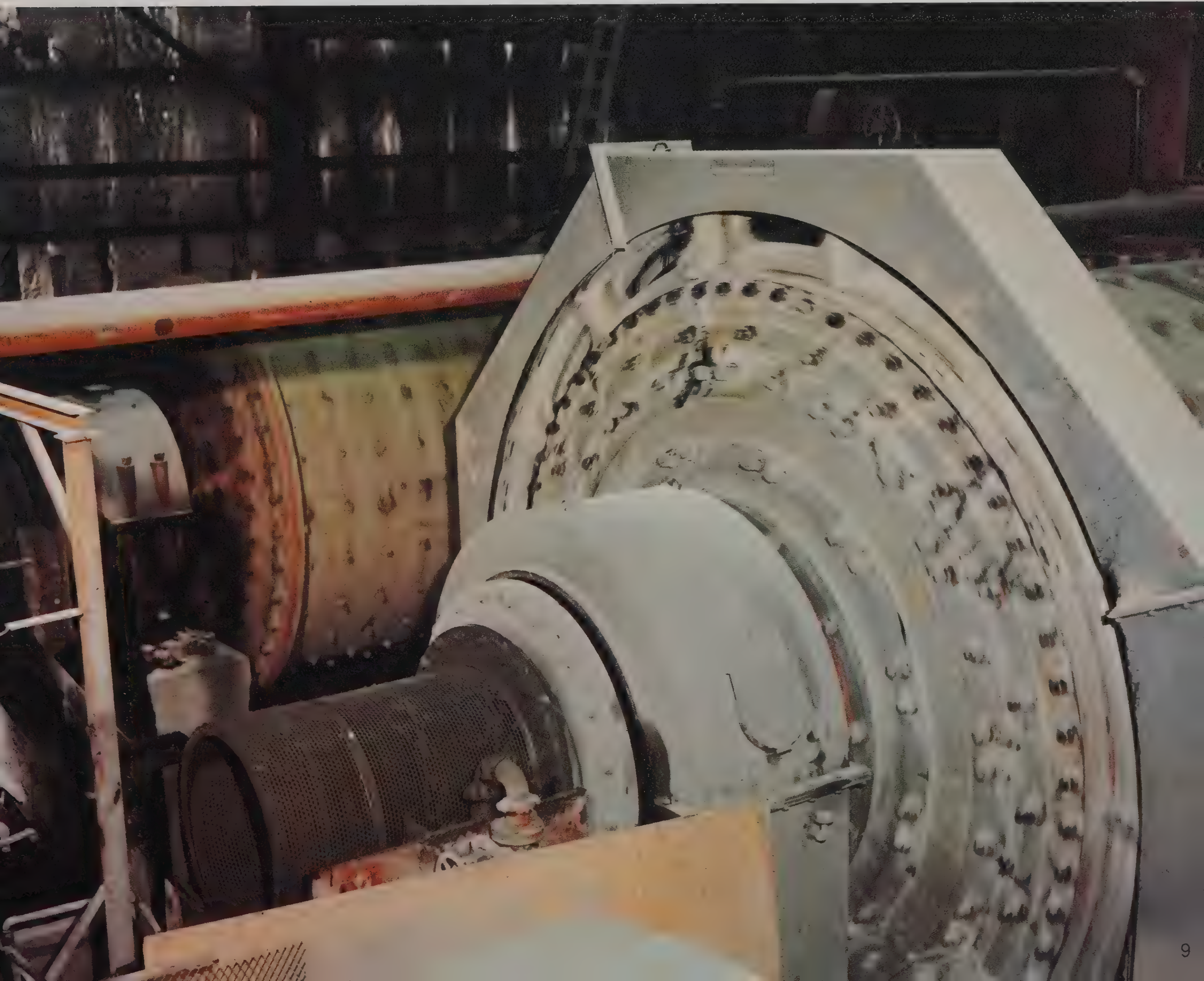
Scooptram dumping ore into chute for underground ore crusher.

The average price of $3.02 per ounce received by the Company compares with the quoted average of $2.54 per ounce on world silver markets during 1973. This realization of higher than average quoted market prices was a result of the timing of shipments and smelter settlements which fortunately coincided with the sharp upturn in silver prices during the latter part of 1973 and continuing into the early part of 1974.

The continued buoyant trend in silver prices thus far in 1974, soaring to an historic peak of nearly $7.00 per ounce early in March and at the time of writing quoted at around $5.50 per ounce, is clearly relevant to your Company's production and revenue expectations during the current year. The concensus among many recognized silver marketing authorities is that world silver prices will be maintained at high levels during 1974.

The decision of your Company in 1972 to defer milling operations to last year was thoroughly demonstrated as a most profitable judgement. The average quoted price for silver in 1972 was approximately $1.72 per ounce. The only silver sold by your Company during 1972 was a relatively modest shipment of 23.83 tons of high grade ore containing close to 100,000 ounces for which an average price of about $2.00 per ounce was realized before marketing

The grinding units in the Agnico-Eagle Gold Division mill.



ABOVE: *The upper unit of the underground ore crusher;* BELOW: *Lower unit of underground ore crusher. The underground crusher reduces the rock to minus 5″ which is then hoisted to surface via two 4-ton skips. Hoisting capacity is rated at 1,500 tons per day from 3,000 feet.*

expenses, together with some silver bullion from inventory.

Seasonal operation of the Penn Mill is scheduled to commence in June. Initially it is planned to use low grade tailings and rock dumps, located on various properties owned by the Company as well as other sources available, as a source of mill feed. This will be augmented later in the year from conventional mining operations, principally from the Trout Lake Mine which continues to respond favourably to the sustained program of underground development and exploration.

Among recent developments at the Trout Lake Mine is the heading on the 9th level, driven some 600 feet west in diabase to the favourable Keewatin contact zone and then extended south for a distance of 240 feet along the diabase-Keewatin contact where it intersected the downward extension of the highly productive #11 vein originally developed on the 8th level.

While the vein is in a fault zone and is very erratic in places, it has been drifted on for 220 feet with 70 feet of this being good highgrade ore. Stoping operations just commenced on this vein confirm the results obtained in drifting.

A crosscut on the 5th level has just recently been started to probe strong calcite veins located by diamond drilling northeast of the shaft. This is a new vein system which could be productive as development work progresses. A small stope on #2 vein above the 6th level is currently in highgrade ore.

The very extensive program of exploration at the leased Frontier Mine in South Lorrain Township which has been sustained since 1971, was temporarily terminated. While the total 18,834 feet of underground diamond drilling carried out on this property failed to locate ore zones of mineable dimensions, the exploratory work did provide valuable information for further exploration planned to be carried out from the Trout Lake Mine located to the south.

The Temiskaming Mine and the connecting Cobalt Lode and Christopher properties in the main Cobalt Camp remains the principal exploration target for the current year.

Operations at the Company's properties in the Cobalt Area are commented upon in greater detail in the Mine Manager's Report (Silver Division) which is appended.

Financial

Principal expenditures during the year were in connection with the Gold Division, amounting to $1,507,514 for buildings, machinery and equipment, and $1,760,687 for mine development, or a total of $3,268,201 which includes related administrative and financing expenses. Considering the sharp escalation of both materials and labor costs during the past year, these expenditures are fairly consistent with forecast costs of $3,060,000 prior to provision for working capital requirements. There will be further but as yet undetermined expenditures during the current year in connection with on-going modifications and additions to the treatment plant.

As stated in the accompanying financial statements and related notes, suitable arrangements have been made to provide for these expenditures.

General

Your Board derives understandable satisfaction in reporting the very considerable achievements of both the Silver Division and the Gold Division during the past year which is undoubtedly the most significant period to date in your Company's corporate history.

With the gratifying consistently improving operating conditions being experienced in connection with the Gold Division where metallurgical recoveries are progressively increasing and expected to achieve optimum rates during the second half of 1974, we are confident that our full objective production rates will be realized.

Considering the complexities and unique characteristics of the Eagle Mine sulphide ore, plus the normal tune-up problems inherent in any new treatment plant, the results achieved to date are most commendable. On behalf of the Board, I wish to express particular appreciation to all members of the Company and its consultants for their effective and loyal efforts during the past year.

With respect to the buoyant prices for both gold and silver and the unquestioned favourable outlook both on the short and long term basis, the future of your Company appears most promising and rewarding.

On behalf of the Board,

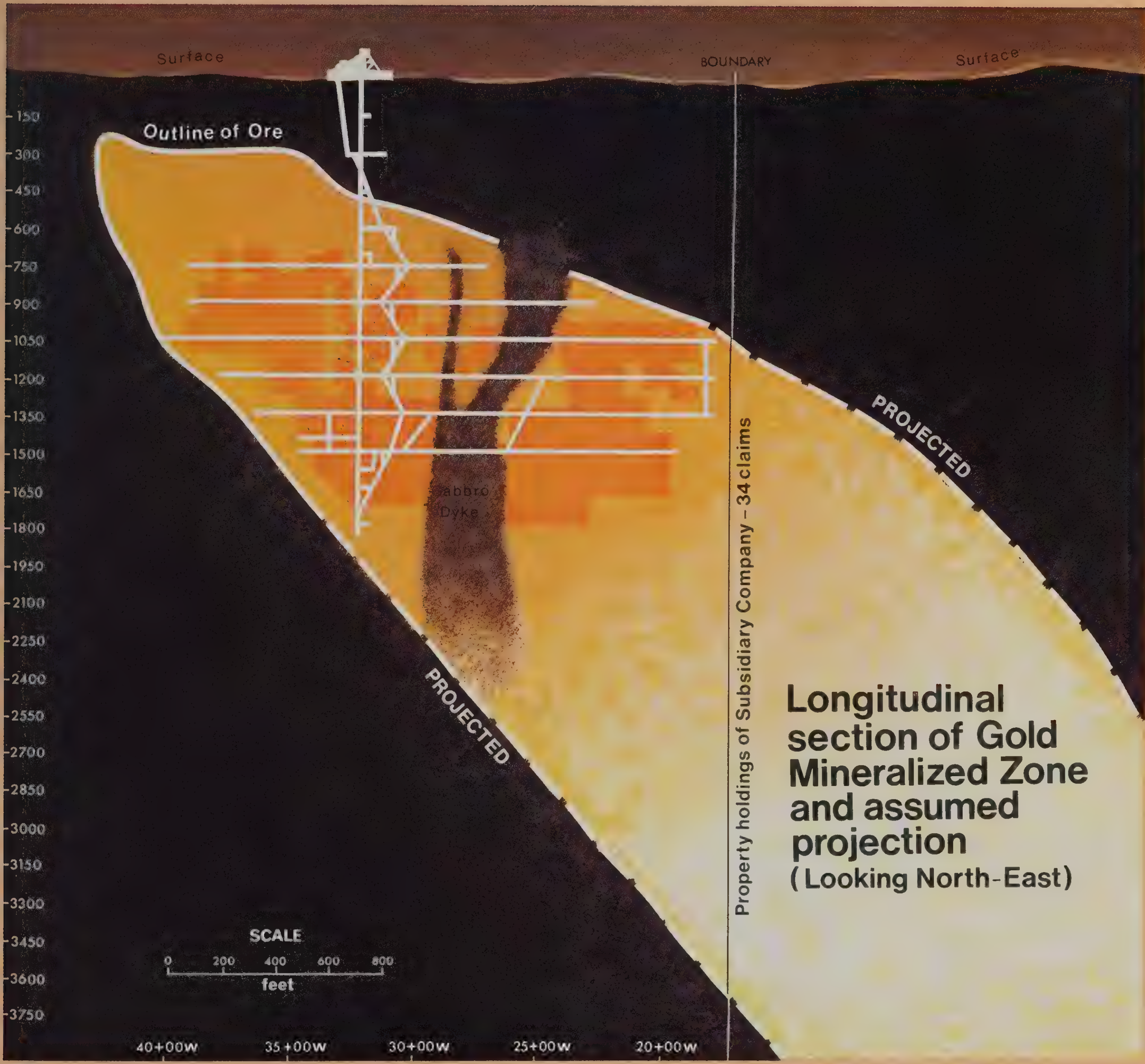
"PAUL PENNA"
President and Managing Director

Toronto, Canada
May 10, 1974

Centre foreground is the No. 3 Shaft at the Trout Lake Mine, South Lorrain Twp., Ontario. This was the main production unit of the Company's Silver Division providing the bulk of the more than one million ounces of silver recovered during 1973.

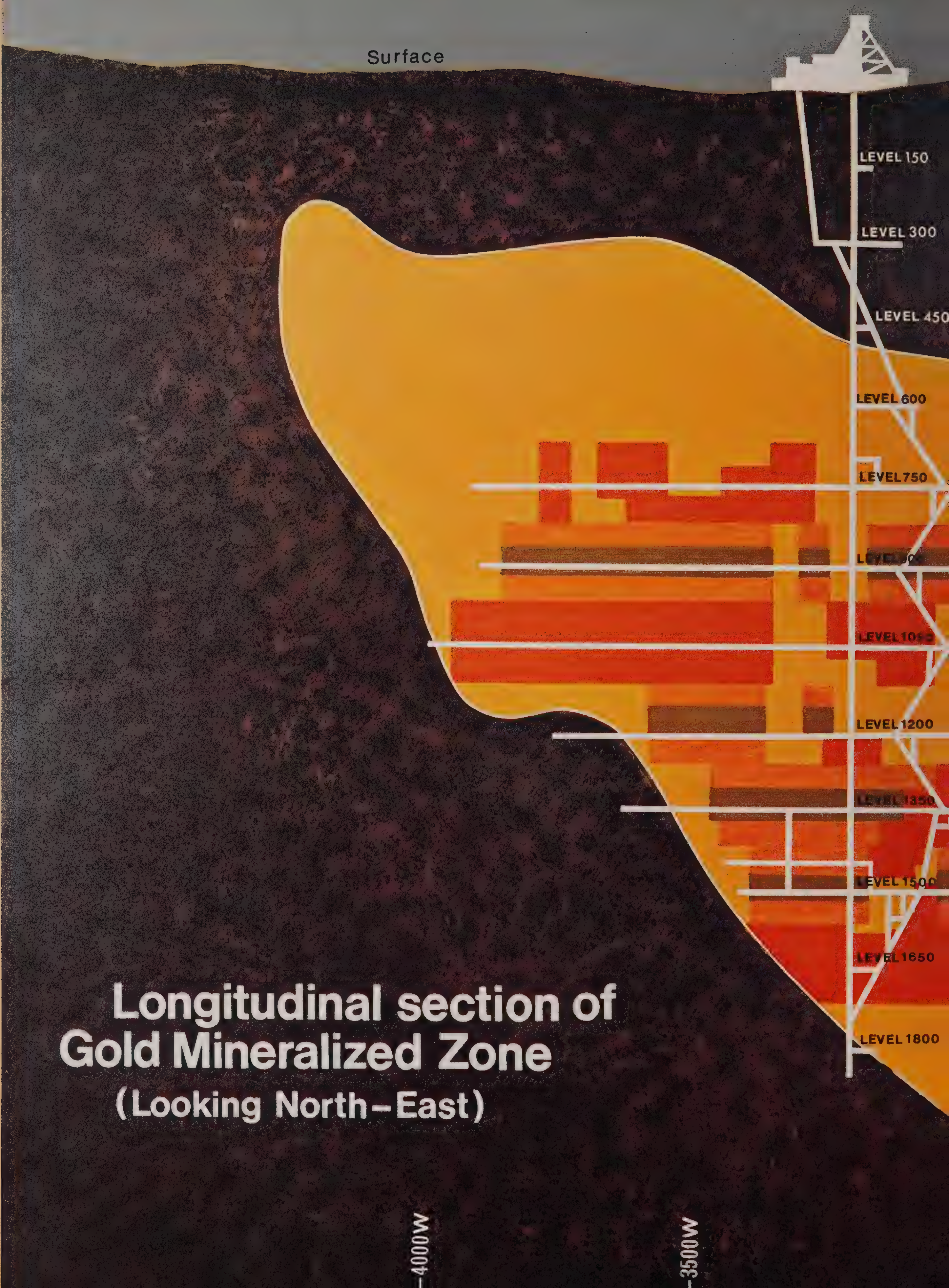
The traditional gold bar pouring took place on February 20, 1974 shown in the picture above. The molten gold is poured from the bullion furnace into molds. The resultant gold brick is then carefully weighed and test-drilled for its purity before shipping to the Mint for final refining.

FIGURE 1



The idealized longitudinal projection above is designed primarily to indicate the significance of the acquisition of the property adjoining to the southeast of the main property on which all underground work to date has been done. The outlines of the ore zone projected on to the adjoining ground are hypothetical since there has been no drilling carried out to date to confirm these assumptions. Underground work indicates that the east end of the orebody enters the adjacent ground owned by the Company's subsidiary at about the 1300-foot horizon. Assuming the ore zone on the main property continues to depth and maintains its present rake, the west end of the orebody would enter the adjoining claims at approximately 3,700 feet below surface.

FIGURE 3



Longitudinal section of Gold Mineralized Zone (Looking North-East)

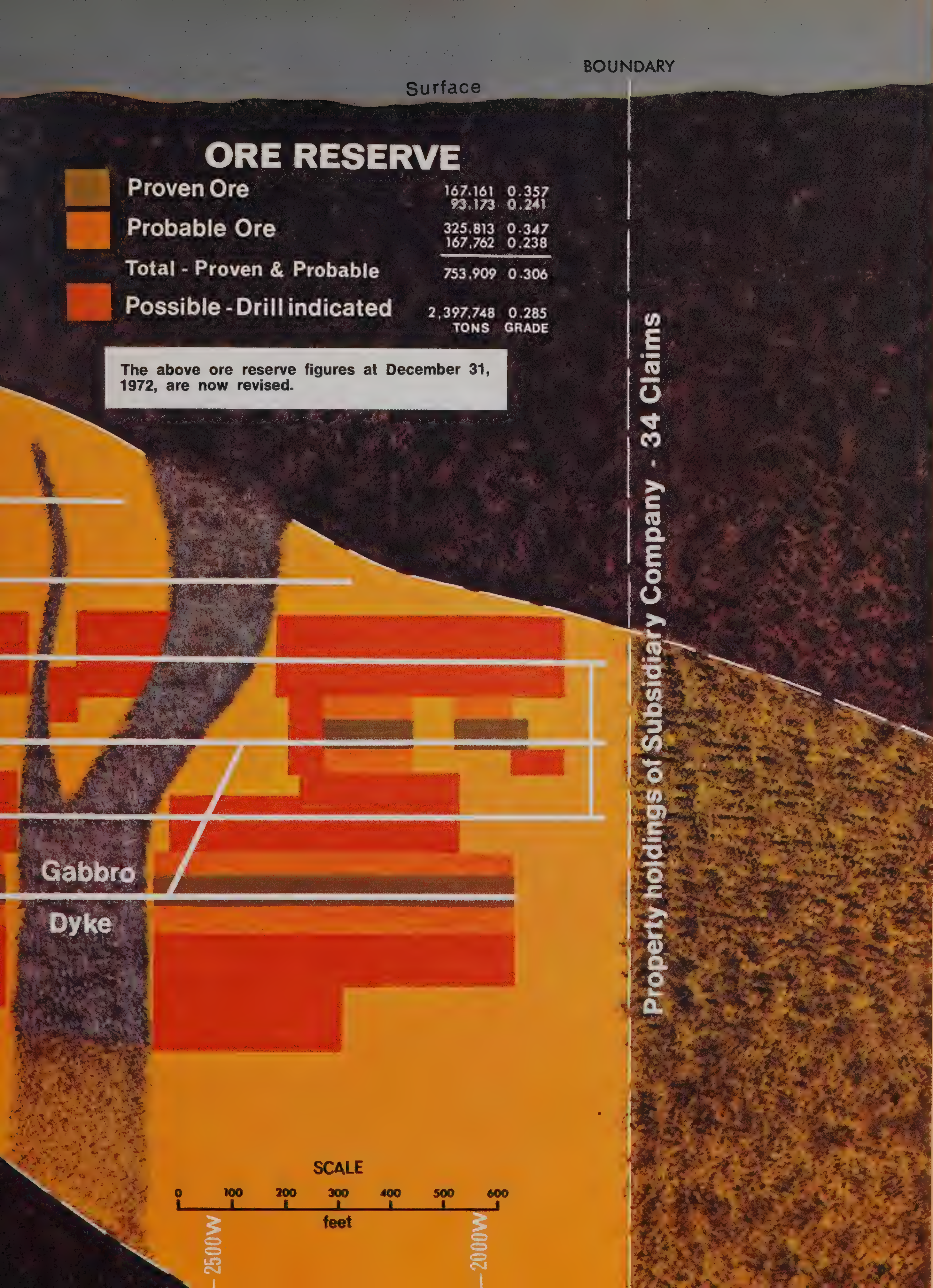

BOUNDARY
Surface
ORE RESERVE
Proven Ore
167,161 0.357
93,173 0.241
Probable Ore
325,813 0.347
167,762 0.238
Total - Proven & Probable
753,909 0.306
Possible - Drill indicated
2,397,748 0.285
TONS GRADE
The above ore reserve figures at December 31, 1972, are now revised.
Property holdings of Subsidiary Company - 34 Claims
Gabbro
Dyke
SCALE
0 100 200 300 400 500 600
feet
2500W
2000W

FIGURE 2

The map above shows the main 60-claim property and the adjoining 34-claim property held by the Company's subsidiary, Telbel Mines Limited. The longitudinal section appearing on the preceding centrefold page is shown as a solid red bar. These two contiguous properties provide nearly three miles of strike length along the main gold bearing structure with the presently defined gold orebody located near the southeastern boundary of the main property. During the main underground development program in the 1967-1970 period, development headings were advanced to within about 50 feet from the southeast boundary of the property. The adjacent property was acquired early in 1971 thereby providing the very important protection for the projected extension of the ore structure into the adjoining ground.

Gold Division
Casier Postal
P.O. Box 310
Joutel, Quebec J0Y 1N0

AGNICO-EAGLE
mines limited

REPORT OF THE MINE MANAGER (Gold Division)

April 18, 1974

The President and Directors,
Agnico-Eagle Mines Limited,
Suite 300, 365 Bay Street,
Toronto, Ontario M5H 2V1

Gentlemen:

I am pleased to submit the following report regarding operations at the Gold Division of Agnico-Eagle Mines Limited for the year ended December 31, 1973.

Summary

Recruitment of mine staff and technical personnel commenced early in the year. Although the initial phases of the construction program and installation of certain equipment was carried out by the contractor and various sub-contractors, the bulk of the work, particularly since mid-year, was completed by the mechanical and electrical department staff. All underground development and stope preparation was carried out by Company personnel.

A very competent staff has been assembled and the total work force now numbering some 125 is adequate for full production operations.

Initial feed to the mill, using waste rock to start the circuit, commenced during December with throughput rates purposely maintained below capacity during tune-up operations.

Start-up date was moderately behind original schedule owing to delays in obtaining delivery of certain minor but essential pieces of equipment.

Townsite

Housing for employees is at the nearby town of Joutel. The bunkhouses for single men were renovated, as were the thirteen (13) houses and twelve (12) apartments. At the present time, all are occupied and we are contemplating building six (6) more housing units for key employees.

Construction Program

Mill

The building was completed, floors poured and all necessary equipment was installed both mechanically and electrically. All necessary piping including the tailing line was completed by year end. The tailings dam was completed and weirs installed. The refinery building and furnaces were operational.

Crushing Plant

The cone crusher, screens and conveyor system were installed and operational by

year end complete with dust collector on surface. The underground crusher station was completed and the jaw crusher and dust collector installed.

Assay Office

All necessary installations were completed and this department was ready to operate. Minor but essential construction work was carried out throughout the office building and mill.

Underground Development

Installation of the primary crusher which is located below the ore pass system was completed in November 1973. Main haulage drifts on the 900, 1200 and 1500 levels were slashed to necessary width and dump stations completed on these levels. Development work was concentrated in the vicinity of the shaft in order to prepare stopes for initial production.

Three long hole stopes and one shrinkage stope on three different levels (900, 1200, 1500) were in preparation during the second part of 1973. The underground ventilation and heating system was completed together with the emergency exit.

The development completed in 1973 was as follows:

Drifting, subdrifting, crosscutting	1,537 feet
Raising	765 feet
Slashing in ore	4,014 tons
Slashing in waste	14,800 cubic feet
Underground diamond drilling	3,479 feet

NOTE: By the end of March 1974, long hole stopes 9-2-35, 12-2-35, 15-2-33 and shrinkage stope 15-2-30 were in production or ready for production.

Ore Reserves

Diamond drilling and development work carried out in 1973 provided enough information to move a total of 137,225 tons at 0.360 ounce gold per ton of possible ore to proven and probable categories. This change occurred in the west end of the mine between the 750 and 1500 levels. New information was not available in the other parts of the mine where ore reserves remained unchanged during 1973.

Ore reserves at December 31, 1973 were estimated as follows:

Category	Tons	Grade oz/ton	Tons + 15% dilution	Diluted Grade oz/ton
Proven ore	342,637	0.345	394,032	0.305
Probable ore	422,342	0.359	485,693	0.317
Total proven and probable	764,979	0.353	879,725	0.311
Surface stockpile			51,964	0.246
Possible ore	1,947,774	0.320	2,239,940	0.281
Total all categories	2,712,753	0.329	3,171,629	0.290

Proven ore represents a block of ore 25 feet above and below drifts in ore.

Probable ore is considered as a block 50 feet above and below proven ore.

Possible ore is based on diamond drill holes and geological projections. The influence of drill hole is extended 50 feet on either side horizontally and 25 feet above and below drill intersection.

General

The first quarter of 1974 has been one of training mill crews and correcting mechanical and metallurgical deficiencies, some of which were unforeseen and others considered normal in the start-up of any new treatment plant. Steady progress is being made and with the modifications and improvements now being implemented there are excellent indications that optimum operating rates and high extraction efficiencies will be achieved during the current year.

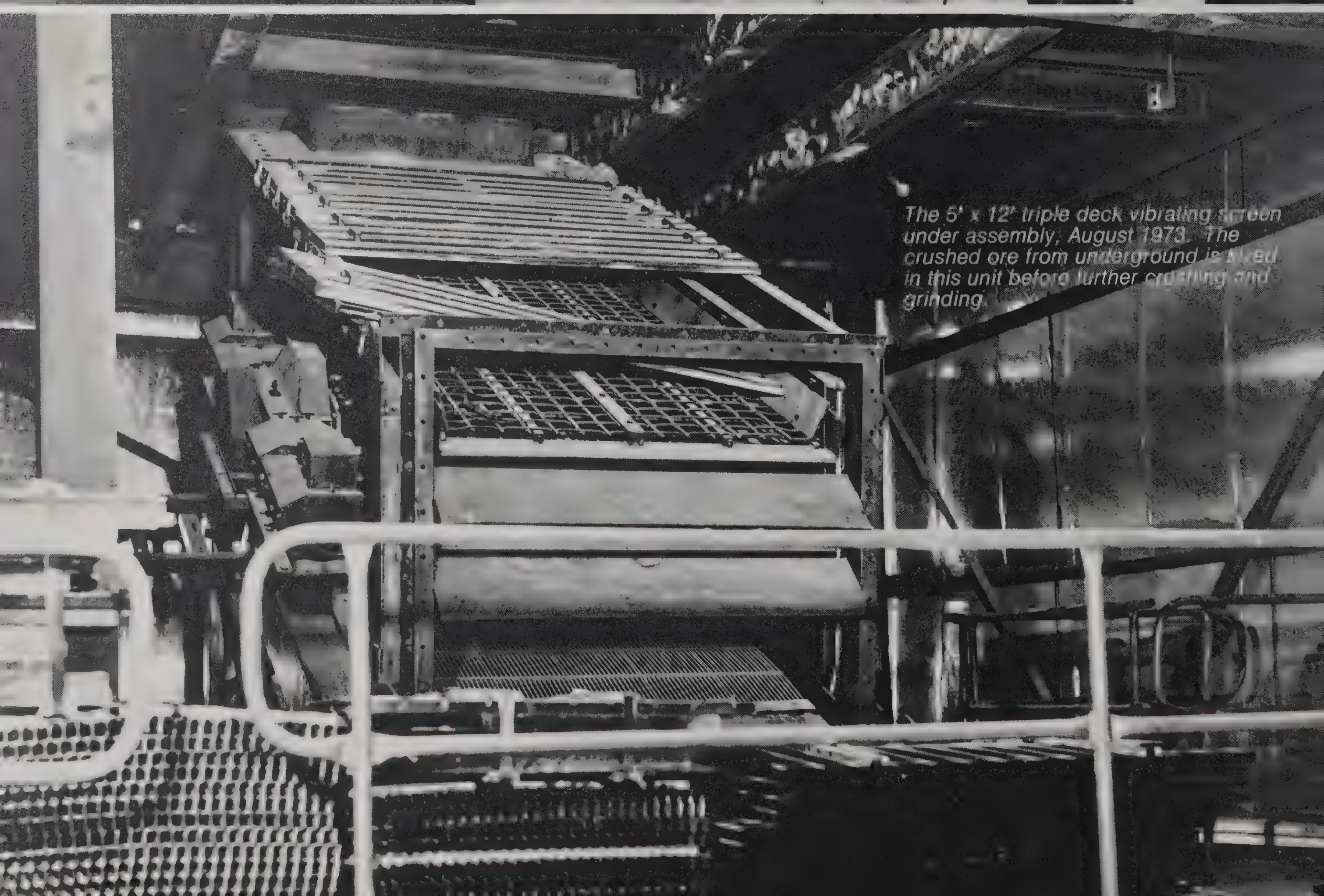
The efficient work of the employees, technical staff and others including Leslie Engineering Limited and various sub-contractors, who have all contributed to the success of this project, is very much appreciated.

Respectfully submitted,

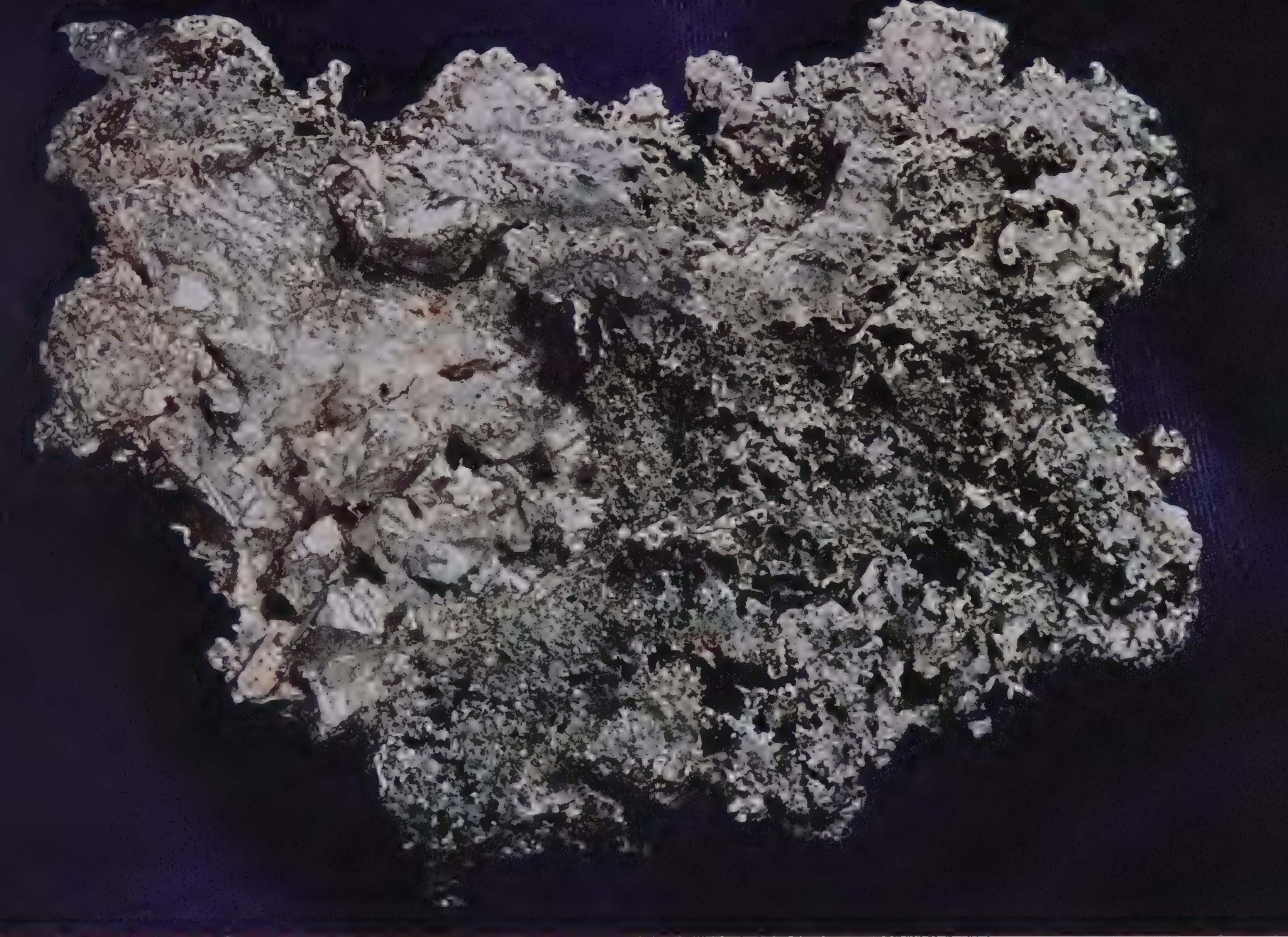
DONALD J. LaRONDE, B.Sc., P.Eng.,
Mine Manager.

Some of the key mine staff members. BACK ROW FROM LEFT: *John Pritchard, Accounting Clerk; Anton Adamcik, Chief Geologist and Chief Engineer; Earl Langdon, Purchasing Agent; Gerry Rodrigue, Office Manager; George Gervais, Construction Superintendent; Allan Young, Chief Surveyor and Michel Caron, Electrical Foreman.* FRONT ROW FROM LEFT: *Wayne Weir, Mill Superintendent; Gaston Gauthier, Mechanical Foreman; Amy Dupas, Master Mechanic; Donald LaRonde, Mine Manager; Edward Maguda, Chief Assayer; Ronald Daigle, Mine Captain; Lionel Roberge, Chief Electrician.*

Scene in the grinding section taken during construction mid-1973.



The 5' x 12' triple deck vibrating screen under assembly, August 1973. The crushed ore from underground is sized in this unit before further crushing and grinding.



A typical highgrade piece of plate silver from the Cobalt Camp. This fine specimen which is nearly actual size would be approximately 90% silver and contain close to 50 troy ounces.

Silver Division
P.O. Box 140
Cobalt, Ontario P0J 1C0

AGNICO-EAGLE mines limited

REPORT OF THE MINE MANAGER (Silver Division)

The President and Directors,
Agnico-Eagle Mines Limited,
Suite 300-365 Bay Street,
TORONTO, Ontario M5H 2V1.

April 17, 1974.

Gentlemen:

I am pleased to submit the following report covering operations at the Silver Division of Agnico-Eagle Mines Limited for the year ended December 31, 1973.

PRODUCTION

The main source of production was from Trout Lake #3 Shaft together with smaller tonnages provided by the Frontier Mine and previously stockpiled ore from the Glen Lake Mine

and 96 Shaft. The combined production amounted to 1,130,966 ounces of silver. The Penn Mill processed all available ore during its period of operation from June to October.

The following is a summary of the main production items:

Ounces silver produced	1,130,966
Pounds cobalt produced	159,636
Gross value of metals sold	$3,416,440
Gross value per ounce of contained silver	$3.02
Total tons milled from company properties	27,028
Total tons hoisted	17,741
Calculated head ounces silver/ton	43.66
Recovery ounces silver/ton	41.84
Extraction efficiency	95.84%

EXPLORATION AND DEVELOPMENT

Trout Lake #3 Shaft — Development headings were driven on five levels during the year for a total advance of 2,166 feet.

The 8th level crosscut driven west from the shaft to develop an ore zone indicated by diamond drilling resulted in the development of four ore zones. Three of the zones were mined during the year while the fourth zone will be mined in the coming year.

On the 9th level, a heading was driven some 600 feet west in diabase to the favourable Keewatin contact zone. This heading is being driven to develop the downward extension of the ore zones developed on the 8th level.

Drifting on the 7th level resulted in developing a small rich stope on #2 vein while on #1 vein a larger stope provided a modest tonnage of good ore.

Exploration diamond drilling employed two drills underground which drilled a total of 23,023 feet. Although drilling has not encountered any new highgrade veins such as the very productive #9 vein, it has met with some success in locating veins that warrant further exploration and development work. Both short and long range drilling will continue to thoroughly explore this property.

Frontier Mine — The lower contact workings in the #8 Winze area were thoroughly explored by an extensive diamond drill program. Three drills were employed in drilling a total of 18,834 feet. The drilling failed to locate ore zones of mineable dimensions but did provide valuable information for future exploration work to be carried out from the Trout Lake Mine located to the south. The decision has been taken to temporarily suspend exploration work from the underground workings.

Temiskaming Mine — This property is located in the heart of the Cobalt Camp. It has a 1600′ shaft extending to the lower contact of the diabase sill as has the Beaver property located a few hundred feet to the north. The properties are connected by a crosscut on their 1600′ levels.

It is planned to drive a crosscut from the lower contact workings of the Temiskaming property west towards Agnico-Eagle's contiguous Cobalt Lode and Christopher properties to provide drill stations for exploration drilling beneath the highly productive ore zones of the upper contact.

As work progressed in pumping the Temiskaming shaft, it was decided that the shaft timber was in such poor condition that it could not be used as a production shaft but was suitable to be used for emergency exit and ventilation. The Beaver shaft was then put into use after first installing a double drum electric hoist and erecting a timber headframe. The shaft timber is in good condition to the bottom level.

A shortage of experienced miners has delayed progress on this project.

The following is a tabulation of this exploration and development:

	1973 Footage	Unit Cost	1972 Footage	Unit Cost
Crosscutting and Drifting	2,184.9	$63.14	1,724.6	$87.20
Raising	809.0	32.64	455.0	37.75
U/G Diamond Drilling	41,857	6.71	29,430.0	5.64
Surface Diamond Drilling	1,849	9.70	—	—

FUTURE SOURCES OF MILL FEED

It is planned to commence milling operations in June 1974, using low grade tailings and rock dumps, located on our various properties, as a source of mill feed. Ore from mining operations will be stockpiled and milled later in the year. If the price of silver remains favourable, this could be a valuable source of revenue in the future.

GENERAL

Labour Relations — A new labour contract was concluded with the United Steelworkers of America for a period of two years effective July 1, 1973.

Concentrate Treatment — Highgrade concentrates are shipped to American Smelting and Refining Company, U.S.A., while the lower grade concentrates are shipped to Noranda Mines Limited, under satisfactory agreements.

In conclusion, I wish to extend my appreciation to the Board of Directors, staff and employees for their cooperation and assistance throughout the year.

Respectfully submitted,

G. W. KIRK, P.Eng.,
Manager.

Key members of mine technical staff, Silver Division. FROM LEFT: *G. W. Wilson, Mill Superintendent; A. R. Cote, Mine Superintendent; G. W. Kirk, Mine Manager; and H. O. Johnson, Chief Accountant. Brian Thorniley, Chief Geologist and Chief Engineer, was unfortunately absent when this group picture was taken.*

BALANCE SHEET as at December 31, 1973

ASSETS

CURRENT ASSETS

Cash ....
Accounts receivable ....
Smelter settlements receivable ....
Marketable securities, at cost ....
Supplies, at average cost ....
Prepaid expenses and deposits ....

FIXED ASSETS, at cost (Note 1) ....

MINING CLAIMS AND PROPERTIES (Note 2) ....

DEFERRED EXPENSES (Note 3)

Silver Division less amortization ....
Gold Division ....

OTHER ASSETS

Shares of wholly-owned subsidiary companies, at nominal value ....
Unlisted shares, at nominal value ....
Amalgamation expenses, at cost ....

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES

Bank indebtedness — secured by fixed assets and receivables (Note 6) ....
Accounts payable and accrued charges ....
Estimated mining taxes payable ....
Advances from affiliated companies (Note 6) ....

SHAREHOLDERS' EQUITY

Capital
Authorized—20,000,000 shares without par value
Issued and Fully Paid — 13,861,827 shares ....
Deficit ....

The accompanying notes form an integral part of these financial statements.

To be read in conjunction with the Auditors' Report to the Shareholders attached hereto dated March 22, 1974.

As at December 31 1973	1972
25,907	$ 213,683
22,492	46,067
2,033,085	52,137
—	24,639
75,898	65,754
25,761	163,017
2,183,143	565,297
6,170,793	4,664,877
434,973	453,319
622,278	883,167
7,257,238	5,496,551
7,879,516	6,379,718
2	2
1	1
81,251	78,878
81,254	78,881
6,749,679	$12,142,092
2,022,674	$ —
970,870	213,004
175,000	—
701,972	296,972
3,870,516	509,976
2,947,145	12,947,145
67,982	1,315,029
2,879,163	11,632,116
6,749,679	$12,142,092

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Agnico-Eagle Mines Limited as at December 31, 1973 and the statements of deficit, income — Silver Division, deferred expenses — Gold Division and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1973 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

STARKMAN, KRAFT, ROTHMAN, BERGER & GRILL,
Chartered Accountants.

Willowdale, Ontario,
March 22, 1974.

Approved on behalf of the Board of Directors:

PAUL PENNA, Director.

ARCHIE BASEN, Director.

STATEMENT OF DEFICIT

FOR THE YEAR ENDED DECEMBER 31, 1973
(with comparative figures for the period from amalgamation June 1, 1972 to December 31, 1972)

	1973	1972
BALANCE — beginning of period	$ 1,315,029	$ 966,291
Less: Net profit (loss) for year	1,242,077	(348,738)
Unclaimed dividends written off	4,970	—
	1,247,047	(348,738)
BALANCE — end of period	$ 67,982	$ 1,315,029

STATEMENT OF INCOME — SILVER DIVISION

	Year Ended December 31	
REVENUE	1973	1972
Production of metals (Note 4)	$ 3,416,440	$ 203,532
Less: Marketing expenses	192,538	47,486
Royalties expense	301,161	—
	493,699	47,486
	2,922,741	156,046
Add: Profit on sale of silver bullion	—	88,603
	2,922,741	244,649
EXPENSES		
Mining and development	560,569	325,971
Amortization of deferred development expenses	555,549	107,395
Provision for Ontario mining tax	175,000	—
Milling	127,431	10,565
Administration	118,800	75,228
Transportation of mill ore	96,530	—
Depreciation	77,115	77,283
	1,710,994	596,442
Less: Sundry income	30,330	3,055
	1,680,664	593,387
NET INCOME (LOSS) FOR THE YEAR (Note 5)	$ 1,242,077	$(348,738)
EARNINGS (LOSS) PER SHARE	9.0¢	(2.5¢)

The accompanying notes form an integral part of these financial statements.

STATEMENT OF DEFERRED EXPENSES — GOLD DIVISION

	Year Ended December 31	
JOUTEL TOWNSHIP — GROUP II	1973	1972
Development expenses	$ 1,073,217	$ 146,154
Administration expenses	363,227	91,821
Financing expenses	324,243	—
	1,760,687	237,975
BALANCE DEFERRED — beginning of year	5,496,551	5,258,576
BALANCE DEFERRED — end of year	$ 7,257,238	$ 5,496,551

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	Year Ended December 31	
SOURCE OF FUNDS	1973	1972
From Operations		
Net income (loss) for year	$ 1,242,077	$(348,738)
Add: Depreciation	77,115	77,283
Amortization of deferred development expenses	555,549	107,395
	1,874,741	(164,060)
Unclaimed dividends	4,970	—
Proceeds from sale of capital stock	—	1,047,500
Refund of deposit — Quebec Hydro	—	1,084
	1,879,711	884,524
APPLICATION OF FUNDS		
Deferred expenses — Gold Division	1,760,687	237,975
Deferred expenses — Silver Division	294,661	416,557
Buildings, machinery and equipment (net)	1,583,030	525,090
Amalgamation expenses	2,373	78,878
Other	(18,346)	524
	3,622,405	1,259,024
DECREASE IN WORKING CAPITAL	1,742,694	374,500
WORKING CAPITAL — beginning of year	55,321	429,821
WORKING CAPITAL (DEFICIENCY) — end of year	$(1,687,373)	$ 55,321

The accompanying notes form an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 1973

1. FIXED ASSETS
The company follows the policy of recording depreciation on buildings, machinery and equipment at such time as each mine may become productive.

The fixed assets balance by division is as follows:

	1973	1972
SILVER DIVISION		
Buildings, machinery and equipment	$ 2,500,944	$ 2,428,016
Less: Accumulated depreciation	2,315,010	2,240,484
	185,934	187,532
GOLD DIVISION		
Buildings, machinery and equipment	5,984,859	4,477,345
	$ 6,170,793	$ 4,664,877

2. MINING CLAIMS AND PROPERTIES
The company owns approximately 90% of the outstanding capital stock of Telbel Mines Limited. The chief assets of Telbel Mines Limited are mining development licences on 34 claims adjacent to the company's gold mining property known as Joutel Township — Group II and accordingly the cost of the company's investment has been included in mining claims and properties.

3. DEFERRED EXPENSES
The amounts shown for deferred expenses represent costs to date less amounts written off and are not intended to reflect present or future values.

4. REVENUE RECOGNITION
The policy of the company is to recognize revenue after the ore has been milled.

5. INCOME TAXES
No provision has been made for taxes on income since such income was subject to the three year tax exempt period for new mines. The provisions of the Income Tax Act in force after 1971 limited the three year tax exempt period to income earned before January 1, 1974. For future years the company has available substantial preproduction expenditures and losses carried forward for application against mining income.

6. FINANCING
During the year the company arranged a bank loan for the financing of its gold division operations. Subsequent to the year-end the loan was repaid along with a bonus of $150,000 which has been accrued in the accounts at December 31, 1973. The company is presently financing its gold division operations through advances from affiliated companies.

7. LITIGATION
The company is involved in litigation with an equipment supplier wherein the company is suing the supplier for the replacement cost of a defective part amounting to $27,000. The company is also asking for damages due to breach of contract and warranty amounting to $200,000 and legal costs.

8. PRIOR YEAR FIGURES
Certain 1972 figures have been reclassified to conform to the presentation adopted for 1973.

9. OTHER STATUTORY INFORMATION
Aggregate direct remuneration of directors and senior officers (as defined by The Business Corporations Act) amounted to $106,441 for the year ended December 31, 1973.

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